Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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PAGE 01 LONDON 01500 271706Z
ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EURE-00 NSC-05 NSCE-00 INR-05
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AMEMBASSY THE HAGUE
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LIMDIS

E.O.11652: XGDS-1
TAGS: EGEN, PFOR, UK, FRG
SUBJECT: SCHMIDT-CALLAGHAN MEETING: ECONOMIC ASPECTS

REF: (A) LONDON 1429; (B)LONDON 1452

SUMMARY. SCHMIDT WAS UNDERSTANDING, BUT GAVE NO NEW ECONOMIC COMMITMENTS TO THE UK. HE HINTED THAT OUTSIDE CALLS TO STIMULATE THE GERMAN ECONOMY AT A SOMEWHAT FASTER PACE MIGHT NOT BE UNWELCOME, BUT REPEATED HIS THEME THAT GERMANY'S ECONOMY IS NOT BIG ENOUGH TO BE THE "MOTOR" OF WORLD RECOVERY. BOTH LEADERS AGREED ON THE URGENT NEED FOR AN ECONOMIC SUMMIT AND SCHMIDT SAID IT CONFIDENTIAL

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PAGE 02 LONDON 01500 271706Z

SHOULD TAKE PLACE BEFORE ANY NEW HIGH-LEVEL CIEC MEETING. END SUMMARY.

1. (THE FOLLOWING INFORMATION SUPPLEMENTS REFTELS AND COMES FROM DEBRIEFING OF TWO GOOD SOURCES WHO HAVE READ THE RECORD OF THE MEETINGS.) WHILE IT IS NOT CLEAR HOW HARD CALLAGHAN ACTUALLY PRESSED SCHMIDT ON ECONOMIC

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

ISSUES DURING PRIVATE SESSIONS, WE HAVE BEEN TOLD THAT SCHMIDT GAVE NO NEW COMMITMENTS ON ANY ASPECT OF THEIR ECONOMIC DISCUSSIONS. WE UNDERSTAND FROM FCO SOURCE THAT CALLAGHAN WAS LEFT WITH THE IMPRESSION THAT SCHMIDT MIGHT NOT FIND OUTSIDE CALLS FOR A FASTER STIMULATION OF THE FRG ECONOMY TO BE ENTIRELY UNWELCOME, SUGGESTING THAT REASONABLE PRESSURES ARE SOMETIMES USEFUL. HOWEVER, SCHMIDT STRESSED THAT FRG WAS CLEARLY NOT BIG ENOUGH TO GO IT ALONE IN MOVING THE WORLD ECONOMY AHEAD, NOTING THAT HE AS WELL AS THE U.S. AND JAPAN HAD DOMESTIC POLITICAL AND ECONOMIC CONSTRAINTS IN WHICH TO OPERATE.

2. IN DISCUSSING THE WORLD ECONOMY, BOTH MEN GAVE APPROVAL TO THE ECONOMIC PACKAGE RECENTLY ANNOUNCED BY PRESIDENT CARTER. WE UNDERSTAND SCHMIDT'S ASSESSMENT OF WORLD ECONOMIC PROBLEMS CONTAINED THE THEME THAT A LARGE PART OF THE DIFFICULTIES IS A PRESENT EXCESS OF WORLD LIQUIDITY, RATHER THAN ANY LACK OF LIQUIDITY.

3. ON THE ECONOMIC SUMMIT, BOTH MEN APPARENTLY AGREED ON THE URGENCY OF SUCH A MEETING AND THERE WAS SOME DISCUSSION ON THE DESIRABILITY OF SCHEDULING IT IN CONJUNCTION WITH THE LONDON NATO MEETING, MAY 10-11. THIS WOULD ALLOW FOR THE TENTATIVE MARCH 25 EC EUROPEAN COUNCIL MEETING TO SERVE AS THE COORDINATING AND LEGITIMIZING MECHANISM FOR THE COMMUNITY, HOPEFULLY EASING THE PREDICTABLE IRRITATION FROM SMALLER EC MEMBERS WHO WOULD NOT PARTICIPATE IN AN ECONOMIC SUMMIT. FROM WHAT WE GATHER THERE WAS NO DISCUSSION OF POSSIBLE FRENCH SENSI-
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TIVITIES THAT MIGHT BE INVOLVED IN HAVING AN ECONOMIC SUMMIT BACK-TO-BACK WITH A NATO HEADS OF GOVERNMENT SESSION THAT GISCARD WOULD FIND DIFFICULT TO ATTEND.

4. AS REPORTED IN PUBLIC STATEMENTS, BOTH CALLAGHAN AND SCHMIDT SPOKE OF MAY AS THE MOST DESIRABLE TIME PERIOD FOR A SUMMIT. SCHMIDT ADDED A CAVEAT THAT AN ECONOMIC SUMMIT SHOULD PROCEED, RATHER THAN FOLLOW, ANY HIGH-LEVEL CIEC MEETING IN ORDER TO AVOID A BUILD-UP OF EXPECTATIONS BEING GENERATED IN A NORTH/SOUTH SETTING JUST BEFORE THE MAJOR INDUSTRIAL COUNTRIES MET. PREDICTABLY, BOTH MEN SAID THERE WOULD BE GENERAL EXPECTATIONS ASSOCIATED WITH AN ECONOMIC SUMMIT AND THEREFORE IT WAS IMPORTANT THERE BE SOME DISCERNABLE PROGRESS COMING OUT OF ANY SUCH MEETING.

5. THE NEXT SESSION IN THIS REGULAR SERIES OF ANGLO-GERMAN SUMMITS IS SCHEDULED FOR SEPTEMBER IN GERMANY.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

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EO Systematic Review
22 May 2009
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